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Report Highlights:

Federal Budget Reduces Financial Support for Agriculture for 2017... GOR Amends the List of Dairy for State Interventions Purchases...Draft Amendments to the Code of Administrative Violations on the Prevention of Circulation of Adulterated Food...GOR Published the List of Purebred Breeding Animals and Genetic Materials Exempt from VAT... Russia Harvested a Record 117 Million Metric Ton Grain Crop...Grain Exports Down in July –September 2016...Rospotrebnadzor Orders Recall of Dairy Products as a Result of FMD outbreak...Draft EEC Decision “On Approval of Unified Forms of Veterinary Certificates” Open for Public Comment...Livestock Production Data for 9 months of 2016... Alcohol Imports Decline During the 3rd Quarter of 2016...2016 Retail Sales Data -a Slight Decline in Consumer Demand for Alcohol...AFK “System” has Purchased 9 Properties from the Yakunin Family

General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Federal Budget Further Reduces Financial Support for Agriculture in 2017: Interfax reports that the draft federal budget, recently considered at the State Duma, reduces financial support for the agricultural sector in 2017 from the earlier proposed 204.5 billion rubles to 202.95 billion rubles. According to a draft document, 173.8 billion rubles will be allocated in 2017 for the State program "On Agriculture Sector Development for the Period of 2013-2020", including 69.6 billion rubles for the sub-program "Development of Agricultural Industries". Initially, financing for the State program was planned at 258 billion rubles for 2016, 300 billion rubles - for 2017, and 324 billion rubles - for 2018 and 337.8 billion rubles for 2019. However, according to the latest draft of the federal budget, the plan was to allocate 204.486 billion rubles for agriculture sector development in 2017, 197.957 billion rubles in 2018, and 194.055 billion rubles in 2019.

<http://kvedomosti.ru/news/finansirovanie-rossijskogo-apk-v-2017-godu-snizitsya-do-203-mlrd-rublej.html>

GOR Amended the List of Dairy Products for the Purposes of State Interventions Purchases. On October 27, 2016, the Government of Russia (GOR) issued [Resolution # 2258-p](#) with the amended list of agricultural products subject for state intervention purchases. The GOR continues to develop the legislative framework for the launch of the dairy intervention purchases. The goal of the program is to reduce commodity price volatility for raw milk resulting from major seasonal fluctuations in milk production. The amended list includes ultra high temperature pasteurized milk, skimmed milk powders with fat content less than 1.5%, dry milk powders with fat content more than 1.5%, but less than 26%, whole milk powder with fat content from 26% to 41.9%, dairy butter, and cheese. Earlier, the GOR had planned to start dairy interventions in 2016 and announced plans to purchase up to 10,000 MT of dry milk powder and 4,000 MT of dairy butter in nine regions. However the launch of the program was postponed. Currently, in accordance with "[Federal Law 264 FZ](#) - On Development of Agriculture," the GOR may purchase milling and feed wheat, feed barley, rye, and corn for the state intervention fund.

<http://government.ru/media/files/UUbHM5fAoHpI8nVGGd1CuLVpJ7MAQ4xU.pdf>

Draft Government Amendments to the Code of Administrative Violations on the Prevention of Adulterated Food Circulation. The GOR proposed draft amendments to the Code of Administrative Violations concerning penalties for the circulation of adulterated food circulation. If these amendments are adopted by the Federation Council, Russia's higher legislative body, and signed by the President, the administrative penalties for the production, import to the territory of the Russian Federation, or trade in adulterated food will be the following: for an individual entrepreneur from 30,000 Rubles to 50,000 Rubles (\$480 - 790) and for a legal entity from 50,000 rubles to 100,000 Rubles with or without the seizure of the equipment and materials. The same violations related to food supply in nursery schools,

kindergartens, schools, and municipal food supply networks will result in a fine from 50,000 rubles to 100,000 Rubles for an individual and from 100,000 rubles to 300,000 Rubles for a legal entity with or without the seizure of equipment and materials. Repeated violations will result in a fine of from 100,000 Rubles to 200,000 Rubles and from 300,000 rubles to 1 million Rubles with the seizure of equipment and materials. <http://regulation.gov.ru/projects/List/AdvancedSearch#npa=56112>

GOR published the list of purebred breeding animals and genetic materials exempted from VAT:

On October 20, 2016 GOR issued a [Decree # 1069](#) in accordance with the [Federal Law # 187 FZ](#) – 23.06.2016. The decree provides the list of pedigree livestock and genetic materials temporarily exempted from VAT, including imported products. The Amendments reduce the VAT rate from 10 to 0 percent until December 31, 2020. The zero VAT rate shall be applied to trade operations with domestic and imported purebred breeding animals including cattle; swine; sheep; horses; poultry (hatching eggs); semen of purebred breeding bulls, boars, bucks, rams, stallions; embryos of purebred breeding cattle, swine, sheep, goats, horses in accordance with the EAEU Commodity Nomenclature of the Foreign Economic Activities. HS codes of exempted products include: 0101 Purebred breeding horses; 0102 Purebred breeding cattle; 0103 Purebred breeding swine; 0104 Purebred breeding sheep and goats; 0105 Purebred breeding poultry; Fertilized eggs for incubation of domestic fowls 0407110000, 0407191100, 0407191900; 0511100000 Bovine semen from purebred breeding bulls; 0511998521 Embryos from purebred breeding horses; 0511998522 Embryos from purebred breeding goat and sheep ; 0511998523 Embryos from purebred breeding cattle; 0511998529 Embryos from purebred breeding swine; 0511998531 Semen of purebred breeding stallions ; 0511998532 Semen from purebred breeding rams and bucks; 0511998539 Semen from purebred breeding boars. In case of imports, the exemption shall be granted upon the submission of the documents to Customs in accordance with the Federal law 123 FZ – 08.03.1995 “On Livestock Breeding”.

<http://www.kremlin.ru/acts/news/52210>

<http://government.ru/docs/24980/>

Russia Harvested a Record 117 Million Metric Ton Grain Crop. According to Minister of Agriculture Aleksander Tkachev, Russia’s grain and pulses crop in clean weight will be not less than 117 million metric tons (MMT), the highest in the last 38 years, and the second highest in the history of Russia (in 1978, Russia harvested 127 MMT). Compared with the 1978 crop, the average yield in 2017 increased by 60 percent from 1.7 MT per hectare to 2.7 MT per hectare, while the harvested grain and pulses area decreased by 37 percent: from 74 million hectares to 47 million hectares. [Note: to some extent the average yield increase is due to the change in the crop mix and the increased share of high yielding grains, such as corn and winter wheat. End Note]. The 2016 crop will allow the export of up to 35 MMT of grain in MY 2016/2017. Minister Tkachev pointed out that the progress in Russia’s grain production will support reaching the grain production target of 130 MMT by 2030, and even surpass it. <http://www.mcx.ru/news/news/show/56321.355.htm>

Grain Export Down in July –September 2016. Despite the bumper grain crop in 2016, grain exports in July – September 2016 were lower than in the same period in 2015 (9.75 MMT compared with 10.64 MMT). Industry analysts estimate that in October 2016 grain exports will also be lower than last year (3.2 MMT compared with 3.5 MMT in October 2015) primarily due to unfavorable weather at the end of October in Russia’s Black Sea ports. Russian authorities continue working on the development of new foreign grain markets for Russian grain in South East Asia, Africa, and South America. At the beginning of November, a 64.5 TMT vessel of corn was shipped from Novorossiysk to Vietnam, the

first shipment of corn from Russia to Vietnam. However, industry analysts forecast that despite the big grain crop and efforts aimed at development of new markets, grain exports in MY 2016/2017 will barely exceed the 2015/2016 level of 34.9 MMT. <http://www.rusagrotrans.ru/press/mneniya-ekspertov/...>
<http://www.fsvps.ru/fsvps/news/19050.html>

Rospotrebnadzor Orders Recall of Dairy Products as a Result of FMD: Rospotrebnadzor¹ issued an order to recall 3,830 MT of dairy products from grocery retail chains due to food safety concerns related to a Foot and Mouth Disease (FMD) outbreak in Vladimir Region. The products were produced between Oct. 1, 2016, and October 19, 2016 at “Yuryev-Polsky Dairy Plant” (Wimm-Bill-Dann / Pepsico) in Vladimir region (total production at the plant during these dates was 5,824.5 MT of dairy). The list of products recalled: kefir, fluid pasteurized milk, fluid “selected” milk, “prostokvasha” (traditional fluid product from fermented milk). The press service of Pepsico in Russia has not commented on the official corporate website. According to comments from Pepsico to public media the farm VKV where the FMD virus outbreak was detected supplied 6-7 MT of raw milk to “Yuryev-Polsky Dairy Plant”. Daily capacity of the plant is 220-230 MT of milk. Note: Pasteurization normally renders milk from FMD infected cows safe for human consumption. End Note.

<http://www.rbc.ru/business/26/10/2016/58107ef59a794702b8813788?from=newsfeed>.

Draft EAEU Collegium Decision “On Approval of Unified Forms of Veterinary Certificates” Published for Public Comment. The draft decision “On Approval of Unified Forms of Veterinary certificates” was published for public comments on November 1, 2016 – original in [Russian](#) and an [unofficial translation](#). The draft document introduces some changes to current forms used under Customs Union Agreement 317 of June 18, 2010, which are used in EAEU internal trade. The words “Customs Union” will be replaced by “Eurasian Economic Union”. Kyrgyzstan and Armenia, as new EAEU members, are added as originating states. The public comment period for the draft is open until November 21, 2016. These forms are distinct from the EAEU Unified Forms of Veterinary Certificates that were proposed for trade with partners outside the EAEU.

Livestock Production Data for first 9 Months of 2016. The Russian Federal Statistics Service (Rosstat) reported livestock production data for all types of farms (backyard and commercial) in the first nine months of 2016. During this time swine production for slaughter grew 10.9 percent, to 3.03 MMT (live weight). Farms produced 4.471 MMT (live weight) of poultry meat (chicken, turkey, geese, ducks and other fowls); poultry meat production in January-September grew 3.3 percent compared to the same months of 2015. Sheep and goat meat output grew 2.6 percent to 0.241 MMT. Beef production was 1.26 percent less than in same months last year at 1.677 MMT of beef (live weight). Milk production in January-September 2016 declined 0.68 percent - all dairies produced 24.031 MMT of milk.

http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/enterprise/economy/

Russian Alcohol Imports Declined during the 3rd Quarter of 2016. According to the Federal Customs Service, Russian alcohol imports declined during the 3rd quarter of 2016. Trade data for the quarter ending September 2016 indicate that Russia imported 4.87 million liters of whiskey (- 41 percent compared to the 3rd quarter of 2015), 0.54 million liters of rum (- 61.4 percent), 38.74 million liters of table wine (- 25.6 percent), and 6.54 million liters of sparkling wine (- 13.4 percent). Industry sources

¹ Rospotrebnadzor is the Russian abbreviation for the Russian Federal Service for Surveillance in the Sphere of Consumer Rights Protection and Human Well-Being.

believe that the decline in Russia's alcohol imports is mainly due to a shortage in the supply of new excise stamps, which has delayed shipments. <http://www.kommersant.ru/doc/3126803/>

2016 Retail Sales Data Indicate a Slight Decline in Consumer Demand for Alcohol. According to Russia's Federal Customs Service, retail sales of alcoholic beverages during the first nine months of 2016 reached 816.4 million deciliters, a drop of 1.6 percent from the previous year. Beer sales (606.8 million deciliters) fell 1.7 percent, wine sales (39.4 million deciliters) fell 1.6 percent, sparkling wine sales (14.6 million deciliters) decreased 4.2 percent, cognac and brandy sales (7.4 million deciliters) fell 2.3 percent, whisky sales (2.8 million deciliters) decreased 8.7 percent, while sales of low alcoholic drinks (6.7 million deciliters) fell 11.7 percent. The total volume of vodka sales however increased 0.5 percent to reach 59.4 million deciliters. Sales of cider and mead (3 million deciliters) also increased 34.8 percent. The decline in consumer demand is mainly attributed to the decline in real income. <http://www.rbc.ru/business/07/11/2016/581b790a9a79476ebc2e9ba0?from=main>

Hotel Owner of AFK "System" has Purchased Nine Properties from the Yakunin Family Vladimir Yevtushenkov, owner of the hotel management group AFK "System," has purchased nine properties from the hotel chain of Andrey Yakunin, the son of Vladimir Yakunin, the former head of Russian Railways. The 6.6 billion rubles transaction includes nine properties (1,379 of rooms) based in Moscow, Sochi, Yaroslavl, Izhevsk, Astrakhan, Kazan, Voronezh, Novosibirsk and Volgograd. Three of these hotels operate under the brands of Park Inn by Radisson, Holiday Inn Express and Courtyard by Marriott. <http://www.rbc.ru/business/07/11/2016/582041b69a7947732b43fed0?from=main>